DOCUMENT RESUME

ED 482 138 HE 036 382

TITLE	Economic Segregation of Higher Education Opportunity, 1973 to 2001.
ISSN	ISSN-1068-9818
PUB DATE	2003-10-00
NOTE	18p.; Published monthly. Theme issue.
AVAILABLE FROM	Postsecondary Education Opportunity, P.O. Box 415, Oskaloosa, IA 52577-0415. Tel: 641-673-3401; Fax: 641-673-3411; Web site: http://www.postsecodnary.org.
PUB TYPE	Collected Works - Serials (022) -- Information Analyses (070)
JOURNAL CIT	Postsecondary Education Opportunity; n136 Oct 2003
EDRS PRICE	EDRS Price MF01/PC01 Plus Postage.
DESCRIPTORS	*College Admission; College Segregation; *Economic Factors; Enrollment; *Enrollment Trends; Higher Education; *Low Income Groups; Selective Admission; *Social Class

ABSTRACT

The first report in this issue, "Economic Segregation of Higher Education Opportunity 1973 to 2001," describes the way higher education enrollments in U.S. colleges and universities are rapidly being sorted by family income and social class. Students born into different economic class backgrounds are increasingly concentrated in distinct segments of the higher education system, with students from low and lower middle income families concentrated in 2-year colleges, especially public 2-year colleges, and students from upper middle and higher income families concentrated in 4-year colleges. This analysis focuses on these changing enrollment patterns by looking at recipients of federal Pell Grants. The second report, "Admissions Selectivity of 4-Year Colleges and Universities 1986 to 2003," discusses a shift in from expanding higher education opportunity to redistributing it that is occurring in 4-year colleges and universities. Both public and private 4-year colleges and universities have grown more selective between 1986 and 2003, but they have done so in a growing market with increasing numbers of high school graduates to choose among. In the long run, the growing divergence between changing demographics and growing labor market needs for better trained workers will have consequences. Some are already evident: the rapid growth of proprietary education and the erosion of world leadership in college participation rates. More will appear in the future. (Contains 18 graphs.) (SLD)

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ED 482 138

Economic Segregation of Higher Education Opportunity 1973 to 2001

Postsecondary Education Opportunity

Number 136

October 2003

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Postsecondary Education
OPPORTUNITY
The Environmental Scanning Research Letter of Opportunity for Postsecondary Education

Number 136 www.postsecondary.org October 2003

Economic Segregation of Higher Education Opportunity 1973 to 2001

Higher education enrollments in American colleges and universities are rapidly being sorted by family income and social class. Students born into different economic class backgrounds are increasingly concentrated in distinct segments of the higher education system. What is emerging is a well-defined system of class-based higher education opportunity in the United States. This system is being built by federal, state and institutional policy decisions, programs and funding that reinforce the widely disparate circumstances babies are born into.

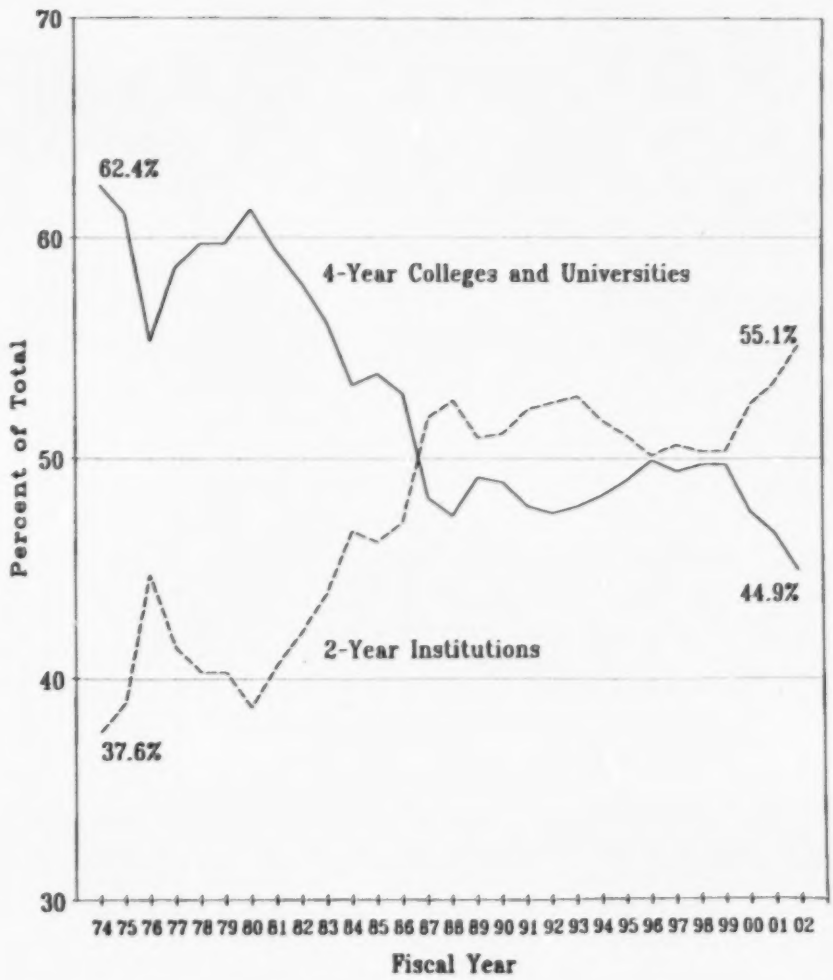
While this sorting process is not yet complete it has accelerated since 1998. The broad outlines of this sorting process are now evident.

- Students from low and lower middle income families are increasingly concentrated in 2-year colleges, especially public 2-year colleges.
- Students from upper middle and high income families are increasingly concentrated in 4-year colleges.

Within 4-year colleges students are being further sorted according to academic selectivity policies of institutions.

- The most selective 4-year colleges and universities--both public and private--serve students from the most affluent families.
- Less selective 4-year colleges and universities serve students from less affluent families but with incomes well above those of students enrolled in public 2-year colleges.
- Generally only open door 4-year colleges serve significant numbers

Distribution of Pell Grant Recipients by Institutional Level
1973-74 to 2001-02



of students from the lowest income families.

While these broad patterns have always been evident in higher education enrollments the sorting process clearly accelerated during the 1980s. A second wave of sorting by economic class began in 1999 and continued in 2000 and 2001. Almost certainly it continues aggressively today as states sharply cut back on higher education funding, tuition charges jump, underfunded institutions raise admissions standards or impose enrollment limits and grant assistance is frozen.

The sorting of students according to their economic class backgrounds in higher education is driven by federal, state and institutional policy decisions. This emerging class structure for higher education opportunity in the U.S. is deliberate and purposeful. It is the direct result of choices made by policy makers:

- *Federal:* At the federal level financial aid based on need has been restricted (Pell Grants, subsidized loans) while financial aid not based on need has been expanded (Hope and Lifetime Learning Tax Credits, favored tax treatment of college savings programs, unsubsidized loans).
- *State:* States have been sharply reducing their tax effort in support of higher education forcing up tuition rates charged to students who can afford higher tuitions, and creating merit scholarship programs.
- *Institutions:* Public and private 4-year colleges and universities have become more academically selective in their admissions policies, recruiting more affluent students and packaging financial aid to attract students from higher income family backgrounds while gaping the financial aid packages awarded students from lower family income backgrounds.

The cumulative effect of these federal, state and institutional policy choices has been the sorting and redistribution of higher education opportunity according to economic class.

In this analysis we focus on the changing enrollment patterns of students from low and lower middle income families. These students are identified as recipients of federal Pell Grants. The Pell Grant program is a federal program of need-based grants available to students from low and lower middle income families to help pay their college attendance costs.

The distribution of Pell Grant recipients in higher education can be monitored through federal Pell Grant End-of-Year Reports published each year since 1973-74 by the U.S. Department of Education.

OPPORTUNITY plans several additional reports in this series on economic segregation of American higher education. The second report appears in this issue of OPPORTUNITY on the increasing academic selectivity of 4-year colleges and universities, both public and private, since the mid-1980s.

Future analyses will examine the distribution and redistribution of Pell Grant recipients controlling for their share of higher education enrollments in states and institutions classified by type and control. Finally, because students enroll in institutions we will examine the share of institutional enrollments that are Pell Grant recipients and rank institutions according to their share of undergraduate enrollment that receives Pell Grants and how these shares have changed over the last decade. This is intended to show which institutions are serving low income students and which are not, and to monitor changing patterns of low income student enrollment in 4-year colleges and universities.

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http://www.postsecondary.org
ISSN: 1068-9818
Published twelve times per year. Subscriptions are $148 for 12 issues. Subscriptions may be started by check or institutional purchase order, mailed to the above address or on our website or faxed to the number below, or by e-mail. Please use the subscription order form on the back page of this issue or on the website.

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Mission Statement

This research letter is founded on two fundamental beliefs. First, sound public social policy requires accurate, current, independent, and focused information on the human condition. Second, education is essential to the development of human potential and resources for both private and public benefit. Therefore, the purpose of this research letter is to inform those who formulate, fund, and administer public policy and programs about the condition of and influences that affect postsecondary education opportunity for all Americans.

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Americans want to ignore issues of economic class. We want to believe that we are all born equal:

> *We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness ...*

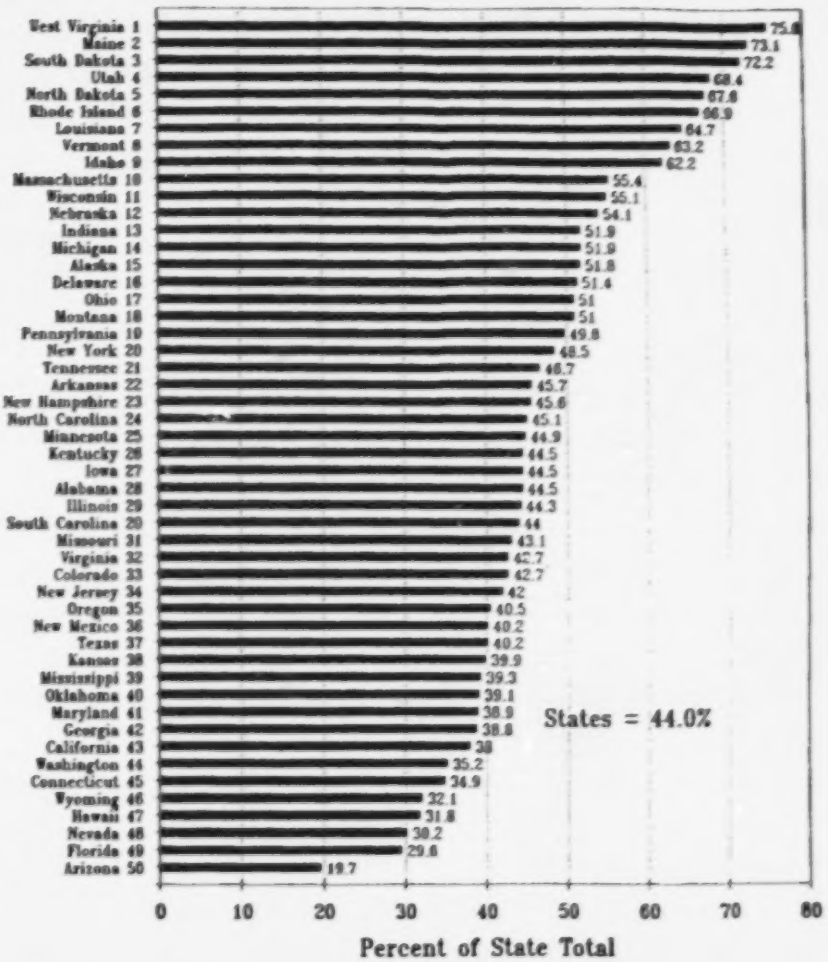
We want to believe that we have access to equal educational opportunities and that we are entitled to equal protection under the law.

Of course this is nonsense. We inherit inequality at birth, and it sticks firmly to us throughout our lives. Always a few people will break from this inheritance and succeed or fail, and in this country that may happen more often than it does in other societies. But the exceptions prove the rule: we must play the hand we are dealt at birth for the rest of our lives.

Here there is a very important public policy interest concerning people who are born into low income families: they represent a growing share of our country's future workers, parents and voters.

- *Child poverty:* The poverty rate for people under 18 years has risen from a low of 14.0 percent in 1969 to a peak of 22.7 percent in 1993, then dropped to 16.2 percent in 1990 and has since risen to 16.7 percent in 2002.
- *Subsidized school lunches:* The proportion of K-12 school children approved for free or reduced-price school lunches increased from 37.0 to 40.7 percent between 1993 and 2002. These children live in families with incomes below 185 percent of the federal poverty level.
- *Minorities:* The proportion of high school graduates that are minorities has increased from 6.7 percent in 1960 to 33 percent by 2002 and is projected to increase to 40 percent by 2012. The largest minority groups are blacks and Hispanics who have median family incomes that are about half those of the white non-Hispanics they are replacing.

Share of Pell Grant Recipients in 4-Year Institutions by State, 2001-02



Clearly how well young people from low income families are higher educated today will determine our country's future economic prosperity and social health. Thus the data reported here presents a deeply disturbing assessment. The emergence of economic class-based higher education opportunity bodes ill for our nation's future.

The Data

The data analyzed in this study of economic class segregation in higher education are collected, tabulated and published by the U.S. Department of Education in *Title IV/Federal Pell Grant End-of Year Reports*. Reports since 1994-95 in this series are available for downloading from the Department of Education's website at:

www.ed.gov/finaid/prof/resources/data/ope.html

To get at state level data we have compiled data from unpublished tables

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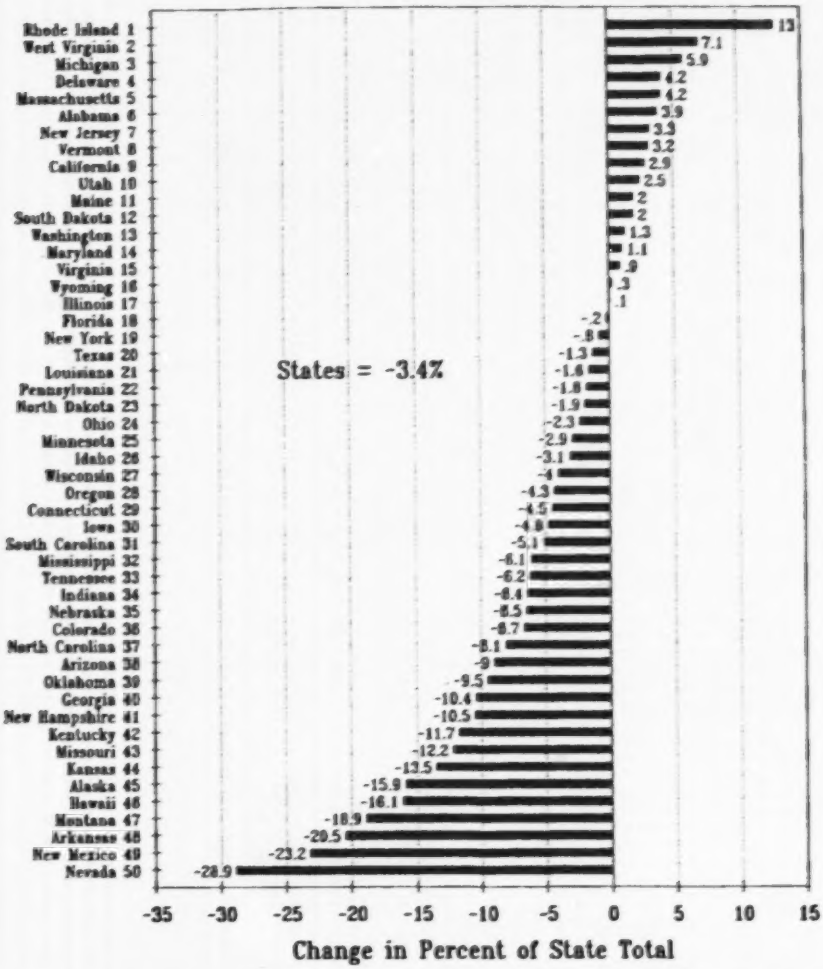
Change in Share of Pell Grant Recipients in 4-Year Institutions by State, 1992-93 to 2001-02



from this report series. These tables of data were supplied by Steve Carter of the Department of Education.

In addition to the raw data obtained from the Department of Education, we have compiled the Pell Grant recipient data for states for the years 1992-93 through 2001-02 from the Department of Education's annual reports in a large Excel spreadsheet available for viewing and/or downloading from our website at:

www.postsecondary.org/pr/pr_03.asp

Distribution of Pell Grant Recipients

In 2001-02 there were 4,122,579 Pell Grant recipients enrolled in postsecondary institutions in the 50 states. (An additional 218,300 Pell Grants were received by students in the District of Columbia, Puerto Rico, American Samoa, Micronesia, Guam, Marshall Islands, Northern Mariana Islands, Palau and Virgin Islands.) These were distributed by institutional type and control as follows:

2001-02

Public 4-year	1,291,590	31.3%
Public 2-year	1,627,565	39.5%
Private 4-year	520,363	12.6%
Private 2-year	99,926	2.4%
Proprietary	583,335	14.1%

In the first year of the Pell Grant program when only first-year students were eligible, there were 185,249 Pell Grant recipients. They were distributed as follows:

1973-74

Public 4-year	75,031	40.5%
Public 2-year	45,404	24.5%
Private 4-year	40,502	21.9%
Private 2-year	7,316	3.9%
Proprietary	14,457	7.8%

Clearly since the inception of the Pell Grant program there have been shifts in the distribution of recipients across institutional type and control. That is the focus of this analysis: the distribution and especially the redistribution of Pell Grant recipients across institutions of different types and controls.

As these data illustrate, the share of Pell Grant recipients enrolled in 4-year institutions (both public and private) has declined. The chart on page 1 of this issue of OPPORTUNITY shows that between 1973-74 and 2001-02 the share of Pell Grant recipients that were enrolled in 4-year colleges and universities declined from 62.4 to 44.9 percent. Generally the share of Pell Grants recipients enrolled in 4-year institutions held up in the 1970s, dropped sharply during the 1980s, held constant during the 1990s, and then resumed a sharp drop in the first three years of the 2000s.

At the same time between 1973-74 and 2001-02 the proportion of Pell Grant recipients enrolled in 2-year institutions (public and proprietary) has increased. Postsecondary students from low income families have been redistributed from 4-year to 2-year institutions between 1973-74 and 2001-02. This redistribution occurred

almost entirely in the 1980s and again currently in the 2000s.

The chart on page 3 Shows the share of Pell Grant recipients enrolled in 4-year colleges and universities by state in 2001-02. The range is from 19.7 percent in **Arizona** to 75.6 percent in **West Virginia**. Clearly low income students are more segregated in 2-year colleges in some states than they are in others.

More interesting is how Pell Grant recipients have been redistributed between 2-year and 4-year institutions between 1973-74 to 2001-02 in the states. This chart is shown on page 4.

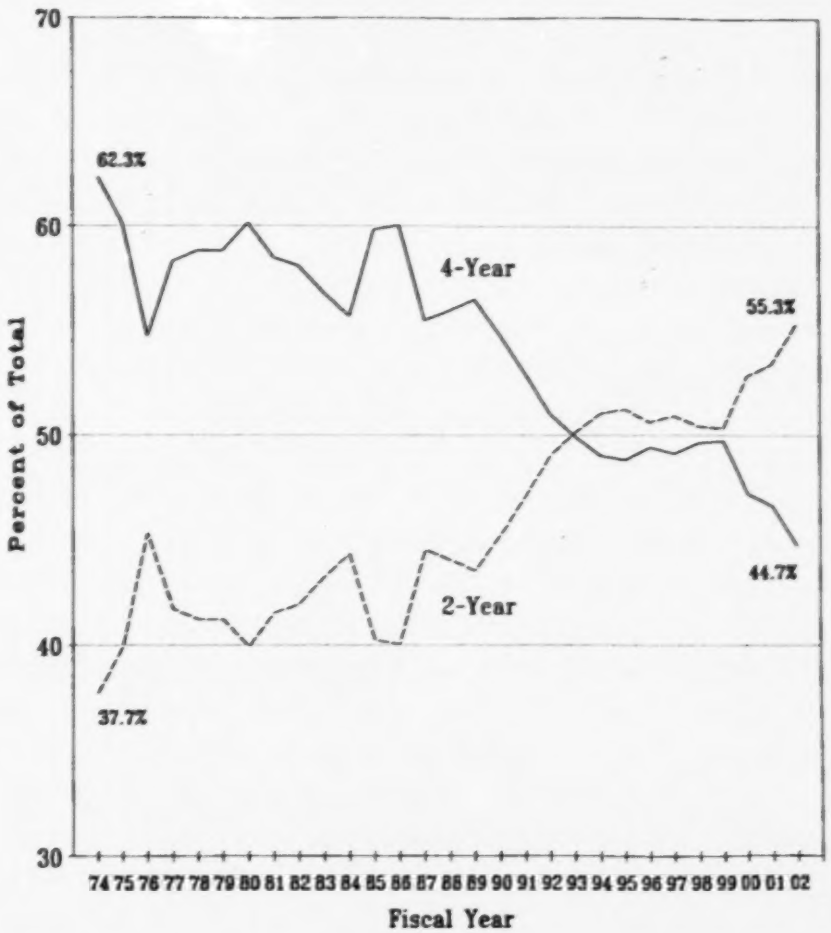
For all states there was a 3.4 percent shift in Pell Grant recipients from 4-year to 2-year postsecondary institutions between 1973-74 and 2001-02. However in 17 states there was a shift in Pell Grant shares from 2-year to 4-year institutions. The states with the largest shifts were **Rhode Island** (+13.0 percent), **West Virginia** (+7.1 percent) and **Michigan** (+5.9 percent.

However, in the remaining 33 states the shift in Pell Grant shares went from 4-year toward 2-year institutions. Foremost among these states were **Nevada** (-28.9 percent), **New Mexico** (-23.2 percent), **Arkansas** (-20.5 percent), **Montana** (-18.9 percent), **Hawaii** (-16.1 percent) and **Alaska** (-15.9 percent). In all of these states most of this shift appears to have occurred between two successive years during the last decade, suggesting the opening of new 2-year institutions in those states or a redefinition of institutional classification between 2-year and 4-year levels.

Public Institutions

Public colleges and universities enrolled about 68 percent of all Pell Grant recipients in 2001-02. These institutions are particularly sensitive to public policy decisions and controls, such as state funding levels and resulting tuition consequences. Thus we have separated out public 4-year and 2-year institutions for this analysis.

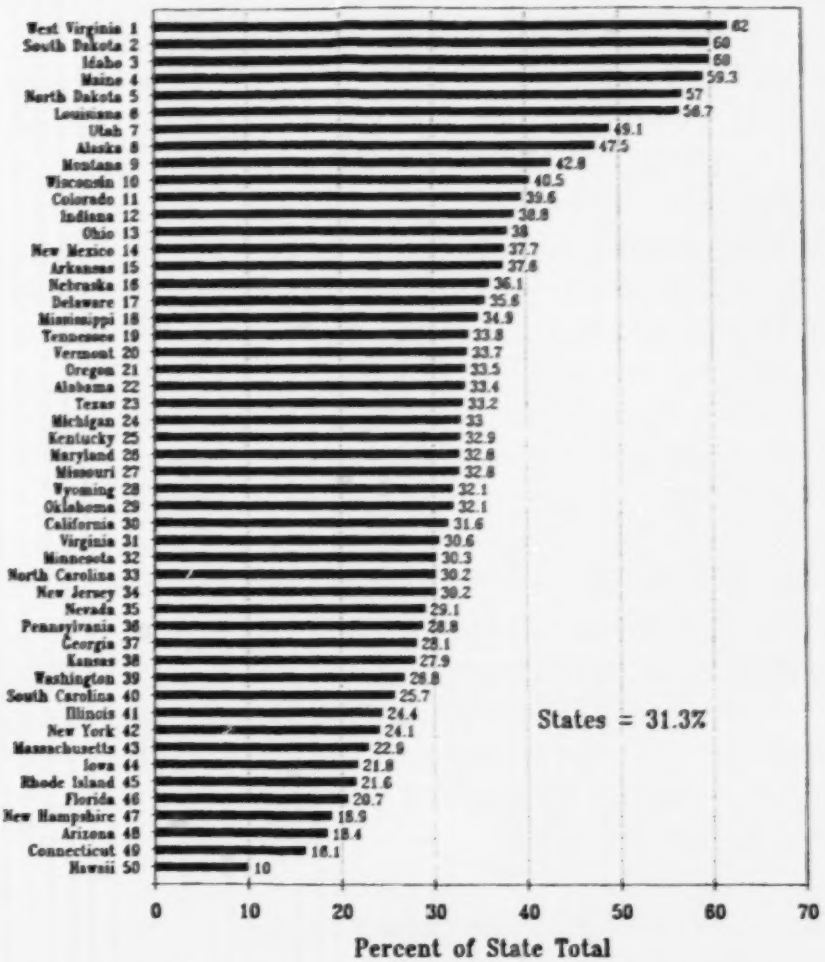
Distribution of Pell Grant Recipients in Public Institutions by Institutional Type 1973-74 to 2001-02



As shown in the chart on this page the redistribution of Pell Grant recipients from 4-year to 2-year colleges mirrors closely the redistribution between all (public and private) 4-year and 2-year colleges. Between 1973-74 and 2001-02 the share of Pell Grant recipients enrolled in public 4-year colleges and universities declined from 62.3 to 44.7 percent. The share enrolled in public 2-year colleges increased from 37.7 to 55.3 percent during this period.

The main difference between this redistribution of Pell Grant recipients in public institutions and all Pell Grant recipients is one of timing. In public institutions the major redistribution occurred in the 1990s, from 1988-89 to 1994-95, and again from 1998-00 to 2001-02. The most recent data suggests that it has continued since 2001-02, although that will be confirmed only through future data releases.

Share of Public Institution Pell Grant Recipients in 4-Year Institutions by State, 2001-02



The share of Pell Grant recipients in public institutions that are enrolled in 4-year public colleges and universities by state for 2001-02 is shown in the chart on this page. Across the 50 states the range is from 10.0 percent in **Hawaii** to 62.0 percent in **West Virginia**. Other states where more than half of the Pell Grant recipients in public institutions are in 4-year colleges and universities include **South Dakota** (60.0 percent), **Idaho** (60.0 percent), **Maine** (59.3 percent), **North Dakota** (57 percent) and **Louisiana** (56.7 percent).

In addition to Hawaii, the states with less than a quarter of their public Pell Grant recipients enrolled in public 4-year institutions are **Connecticut** (16.1 percent), **Arizona** (18.4 percent), **New Hampshire** (18.9 percent), **Florida** (20.7 percent), **Rhode Island** (21.6 percent), **Iowa** (21.8 percent), **Massachusetts** (22.9 percent), **New York** (24.1 percent) and **Illinois** (24.4 percent). These states most clearly segregate their low income students into public 2-year colleges.

This kind of analysis invites a control for enrollment size of sectors in each state. That is some states have relatively large 2-year college systems, while other states have small ones. In fact this analysis will be reported in an upcoming issue of OPPORTUNITY. (Hint: The results will be no less striking than those reported here.)

Public higher education institutions have been battered by state budget problems during periods of economic recession. These recessionary periods occurred during the early 1980s, again during the early 1990s and once again in the early 2000s. During these periods state funding efforts have been reduced and public institutions have raised tuition charges to students to at least partially offset the loss of state revenues. Few states have fully covered these tuition increases for needy students and thus tuition charges have increased with greater adverse impact on low income students than on students from higher income families.

The chart on the next page shows the redistribution of Pell Grant recipients between public 4-year and public 2-year institutions between 1992-93 and 2001-02 by state.

In 1992-93 49.4 percent of the Pell Grant students in public institutions were enrolled in 4-year colleges and universities. By 2001-02 this had dropped to 44.2 percent, a decline of 5.2 percentage points. The decline occurred in 38 of the 50 states. The declines were no less than huge in **Alaska** (-43.4 percent), **Nevada** (-38.0 percent), **New Mexico** (-28.8 percent), **Hawaii** (-27.7%), **New Hampshire** (-27.4 percent), **Arkansas** (-26.7 percent) and **Montana** (-26.1 percent). All 38 of these states shifted low income students from public 4-year to public 2-year institutions between 1992-93 and 2001-02.

In the remaining 12 states the share of Pell Grant students enrolled in public institutions that were 4-year colleges or universities actually increased. The

largest increases were in **Utah** (+9.8 percent), **Rhode Island** (+4.5 percent), **Michigan** (+3.2 percent), **New York** (+3.0 percent) and **West Virginia** (+2.7 percent). These states actually increased low income access to their public 4-year institutions.

Institutional Type and Control

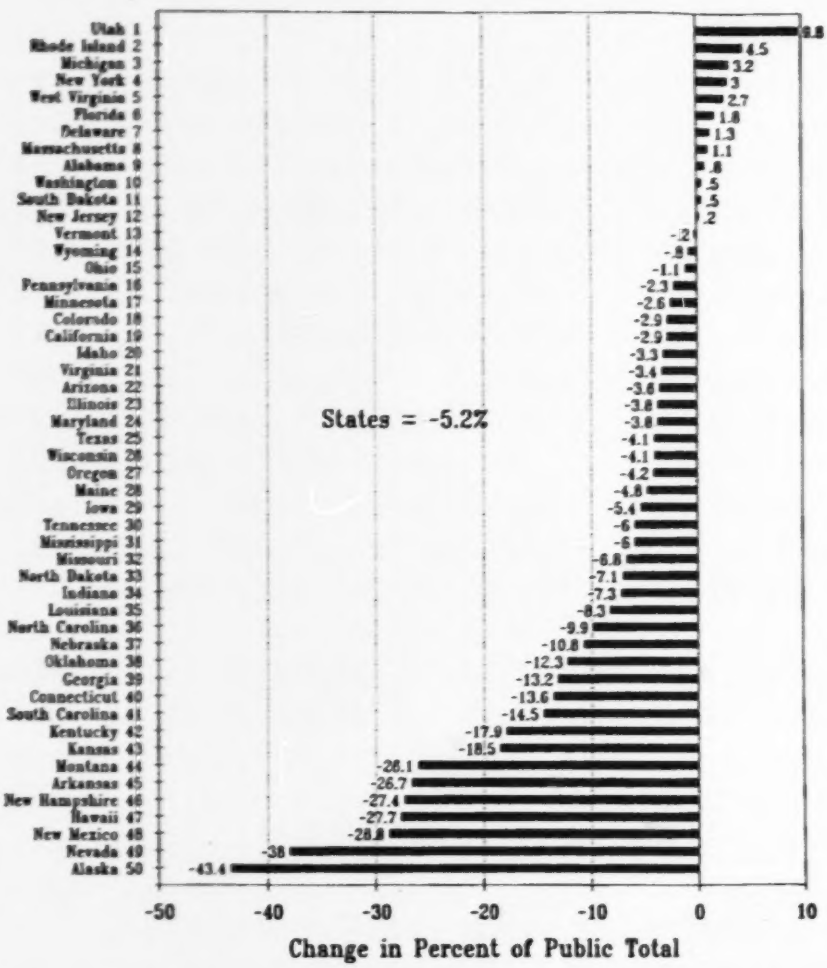
The Pell Grant data are reported separately for public, private non-profit and private for-profit categories. Within control, public and private non-profit sectors are further broken down by level: 2-year and 4-year. Over the history of the Pell Grant these sectors have enrolled widely varying shares of Pell Grant recipients.

Public 4-Year. Since the 1970s public 4-year colleges and universities have enrolled a steadily declining share of all Pell Grant recipients. From the peak of 42.0 percent in 1977-78 this share has declined to 30.6 percent by 2001-02 and has been dropping sharply since 1998-99 when it was 34.5 percent. Public 4-year institutions enroll 36.8 percent of all undergraduates (2000), and enroll 30.6 percent of all Pell Grant recipients (2001-02).

Public 2-Year. The share of Pell Grant recipients enrolled in community colleges has ebbed and flowed, but is now at a record high. In 1973-74 the share of all Pell Grant recipients enrolled in public 2's was 24.5 percent. It increased to 31.5 percent by 1975-76, then declined to a record low of 23.5 percent in 1985-86, then rose steadily to the largest share of any sector in 2001-02 at 37.8 percent. Community colleges enroll 43.3 percent of all undergraduates in U.S. higher education and 37.8 percent of all Pell Grant recipients.

Private 4-Year. The share of Pell Grant recipients enrolled in private 4-year colleges and universities has declined from a peak of 21.9 percent in the first year of the Pell Grant program--1973-74--to a record low of 14.3 percent in the most recent year on 2001-02. Title IV eligible private 4-year institutions enrolled 18.0 percent of all undergraduates in the fall of 2000, and enrolled 16.4 percent of all Pell Grant recipients in 2001-02. This Pell Grant count includes both private 4-year not-for-profit and for-profit institutions.

Change in Share of Public Institution Pell Grant Recipients in 4-Year Institutions by State, 1992-93 to 2001-02



Private 2-Year. The share of Pell Grant recipients enrolled in private 2-year institutions has always been quite small. It has declined from 3.9 percent in 1973-74 and hovered around 2.5 percent in the years since then. In 2001-02 it was still 2.5 percent. In 2000 private 2-year institutions enrolled 1.9 percent of the undergraduates in the United States, and enrolled 16.2 percent of the Pell Grant recipients. Note that private 2-year institutions include both not-for-profit and proprietary institutions that award less than 4-year degrees.

Most notable in this history is the rise and fall of proprietary institutions in the Pell Grant program. The share of

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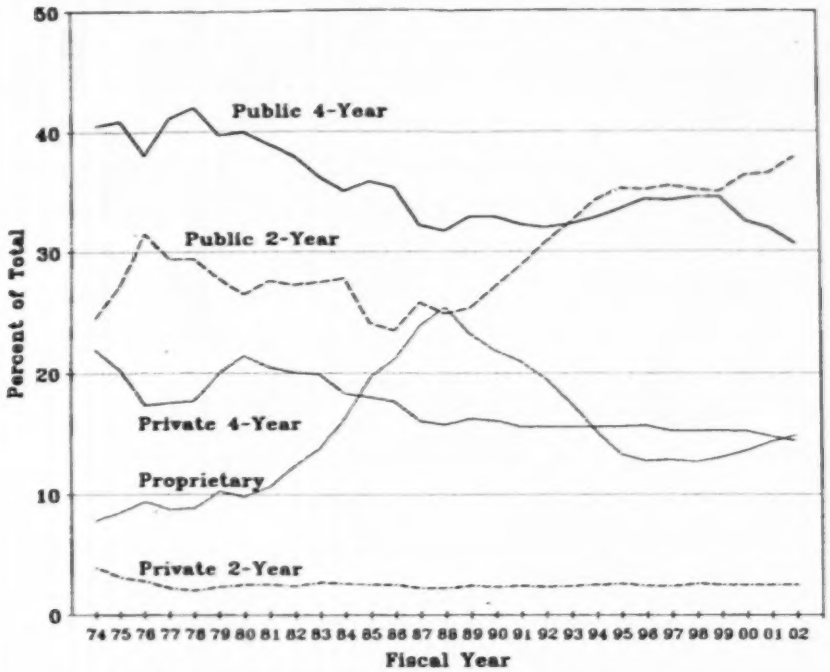
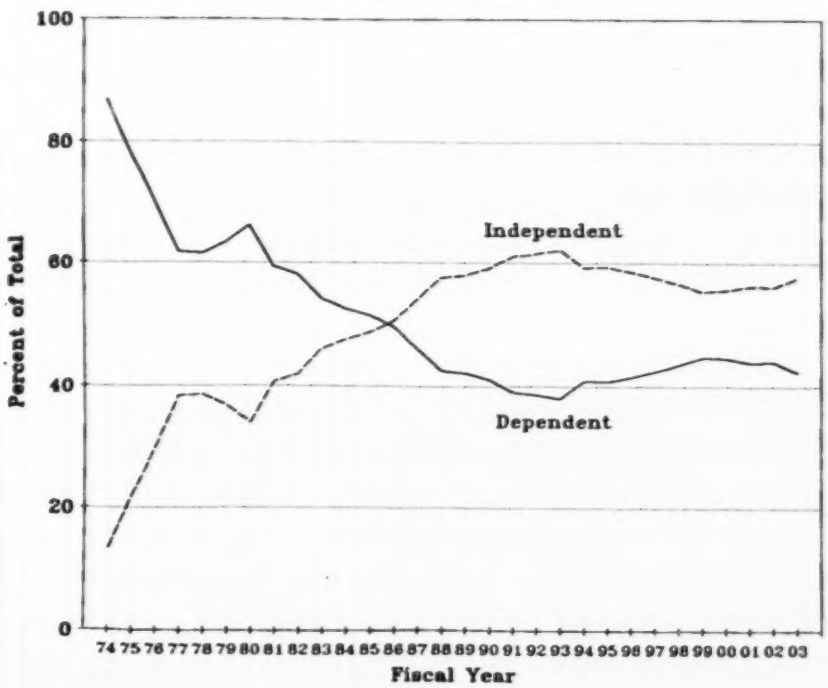
Distribution of Pell Grant Recipients by Institutional Type and Control 1973-74 to 2001-02


Public 4-Year
Public 2-Year
Private 4-Year
Proprietary
Private 2-Year
Percent of Total
Fiscal Year
74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00 01 02

Distribution of Pell Grant Recipients by Dependency Status 1973-74 to 2002-03



all Pell Grants received by students enrolled in proprietary institutions rose from 7.8 percent in 1973-74 to a peak of 25.4 percent in 1987-88 before falling back to a low of 12.6 percent in 1997-98. Their share is again rising to 14.8 percent by 2001-02.

This bulge is attributed to the sudden appearance of many new proprietary schools in the early 1980s that were created primarily to capture federal student financial aid dollars and provided little if any postsecondary education in return. The federal government allowed this to expand until 1987-88, and thereafter closed most of these illicit businesses.

Dependency

One of the most striking changes in the Pell Grant program since its inception has been the growth of older students seeking financial assistance to help pay college attendance costs. For purposes of the federal Pell Grant programs dependency is defined as follows:

Dependent recipient: An individual receiving a Federal Pell Grant who is dependent on his or her parent for financial support. To be considered dependent in 2001-02 the student

- Is under 24 years of age, or
- Is not a veteran of active service in the U.S. Armed Forces, or
- Is not an orphan or ward of the court, or
- Does not have legal dependents, or
- Is not married or a graduate or professional student.

Independent Recipient: An individual receiving a Federal Pell Grant who is not dependent on his or her parent for financial support. To be considered independent in 2001-02 the student

- Is 24 years old or older, or
- Is a veteran of active service in the U.S. Armed Forces, or
- Is an orphan or ward of the court, or

- Has legal dependents, or
- Is a graduate, professional or married student, or
- The FAA makes a documented determination of independence by reason of unusual circumstances.

In 1973-74 86.7 percent of all Pell Grant recipients were dependent students. This dropped sharply to an all-time low of 37.9 percent in 1992-93. By 2002-03 the dependent share of Pell Grant recipients had risen to 42.3 percent of the total.

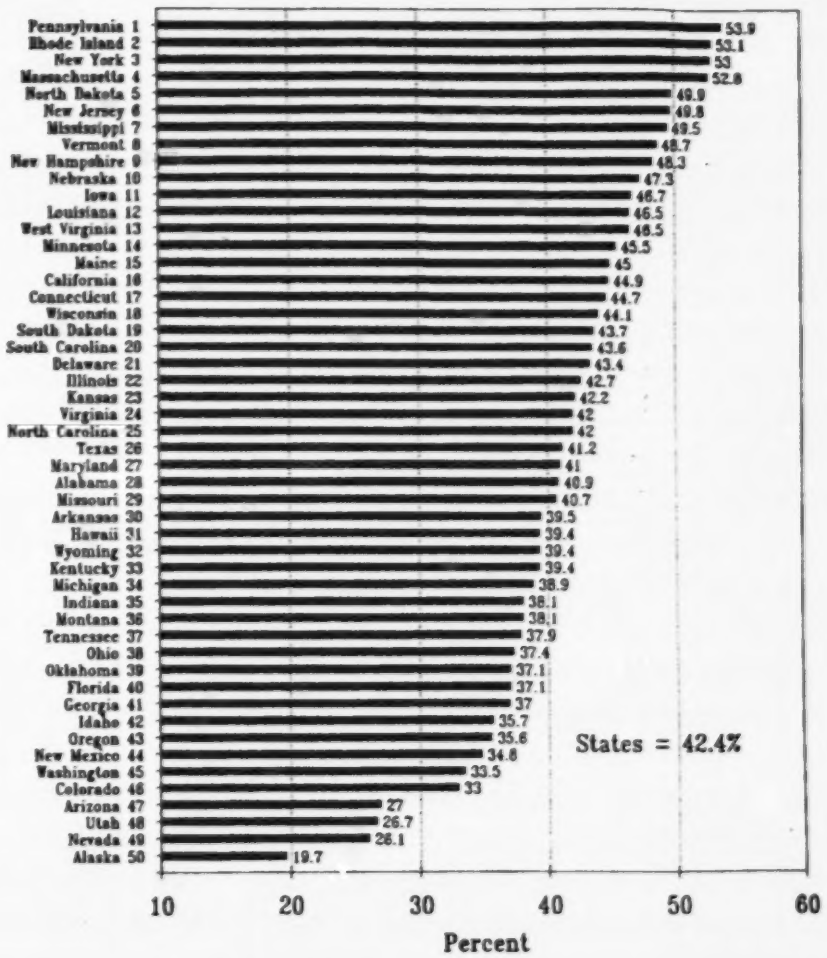
When these data are disaggregated for the states wide variation across the 50 states and strong regional patterns emerge in the data. In 2001-02 the range was from 19.7 percent in **Alaska** to 53.9 percent in **Pennsylvania.**

Most interesting are the strong regional patterns to these data. All of the bottom nine states in this ranking are western states. These states include besides **Alaska Nevada, Utah, Arizona, Colorado, Washington, New Mexico, Oregon** and **Idaho.** Typically in these states less than a third of Pell Grant recipients are dependent family members.

These westerners are the laid-back, relaxed, delayed-entry-into-higher education states where high school graduates are often in no great hurry to get into college immediately after high school. These data suggest that they get around to college much later in their lives, sometime after they celebrate their 24th birthday.

At the high end of this ranking are the northeast and mid-Atlantic states (and a few others). These include besides **Pennsylvania Rhode Island, New York, Massachusetts, North Dakota** and **New Jersey.** Typically in these states about half of all Pell Grant recipients are dependent family members--hence below age 24 years of age.

Dependent Share of Pell Grant Recipients by State, 2001-02



These easterners are the uptight, college-coached, pushed (rushed?), urgent, anxious, hurry-on-to-college kids most likely to pursue college immediately after high school.

The two charts on the following page disaggregate Pell Grant recipient data by dependency and institutional type. These data span the years from 1977-78 through 2001-02.

In the first chart for dependent Pell Grant recipients the share enrolled in public or private 4-year colleges or universities peaked at 69 percent in 1979-80. It then declined in the 1980s as the share of dependent Pell Grant recipients enrolled in proprietary institutions increased. Between 1988-89 and 2001-02 the share enrolled at 4-year institutions declined from 67.4 percent to a record low of 58.2 percent by 2001-02.

A somewhat similar pattern holds for independent Pell Grant recipients, those generally age 24 years and over. The share enrolled in 4-year institutions is much lower because more independent Pell Grant recipients are enrolled in 2-year community

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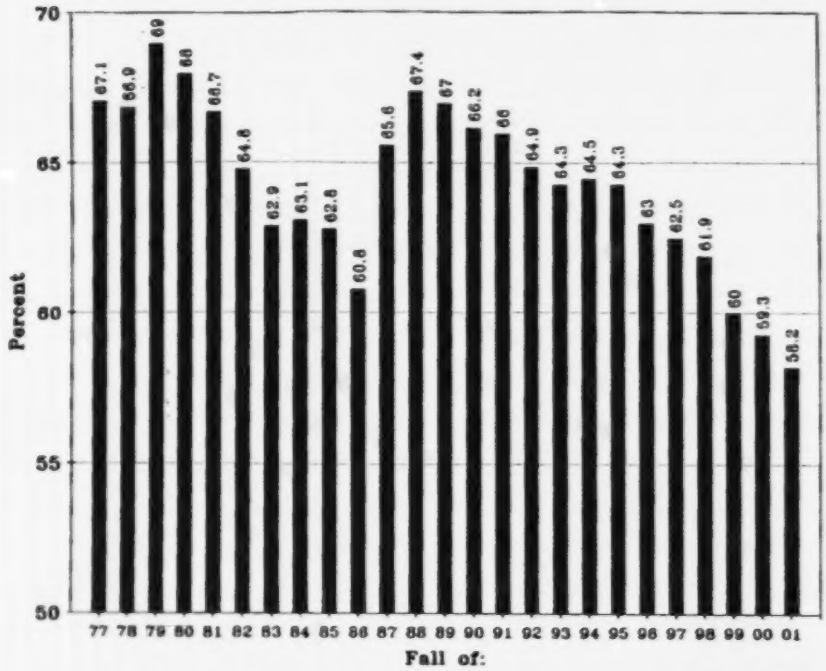
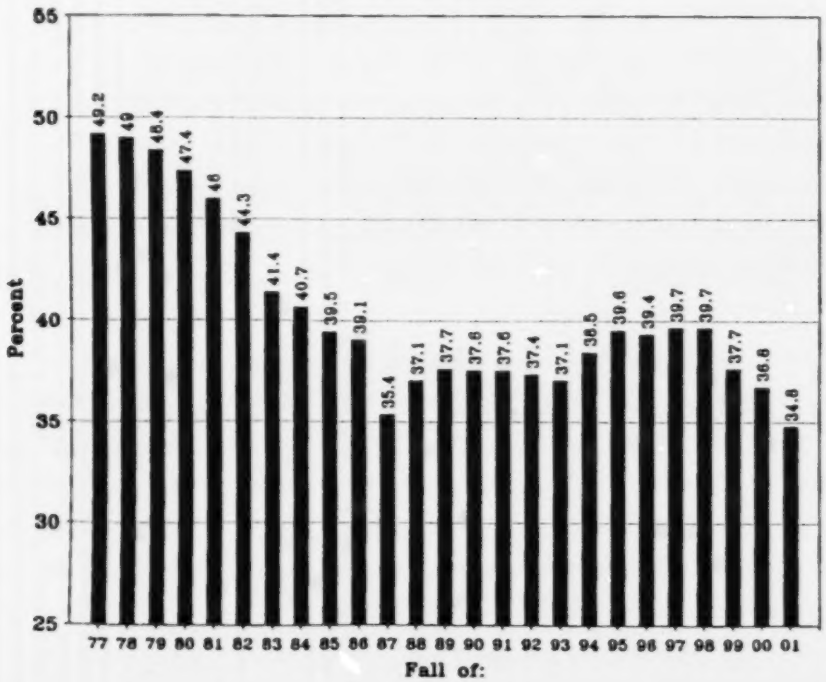
Dependent Pell Grant Recipient Share Enrolled at Public and Private 4-Year Colleges and Universities 1977-78 to 2001-02



Independent Pell Grant Recipient Share Enrolled at Public and Private 4-Year Colleges and Universities 1977-78 to 2001-02



colleges and for-profit proprietary institutions that are most often 2-year. Here the share of independent Pell Grant recipients enrolled in 4-year colleges and universities declined from 49.2 percent in 1977-78 top a record low of 34.8 percent in 2001-02.

For both dependent/younger and independent/older Pell Grant recipients, a sharply shrinking share are enrolled at 4-year colleges and universities over the last 25 years. Increasingly these students from lower income family backgrounds are enrolling in public and private 2-year colleges and proprietary institutions.

Summary

Pell Grant recipient defines students from low income family backgrounds who are enrolled in postsecondary education. This analysis has examined Pell Grant recipient data over time, by institutional type and control, by state and by student dependency status to determine their distribution in postsecondary education.

This analysis finds that Pell Grant recipients are decreasingly enrolled in 4-year colleges--both public and private--and are increasingly enrolled in public 2-year colleges and proprietary institutions. Over the life of the Pell Grant program these shifts have been substantial and widespread. These shifts have not occurred in all states--only in about three-quarters of the states. These shifts have been occurring especially since 1998-99.

What is emerging is a postsecondary education opportunity system based on economic class in the United States. Students born into low income families face a narrowing set of postsecondary choices. They are increasingly concentrated in community colleges, while students from more affluent family backgrounds are concentrated in 4-year public and private colleges and universities.

Admissions Selectivity of 4-Year Colleges and Universities 1986 to 2003

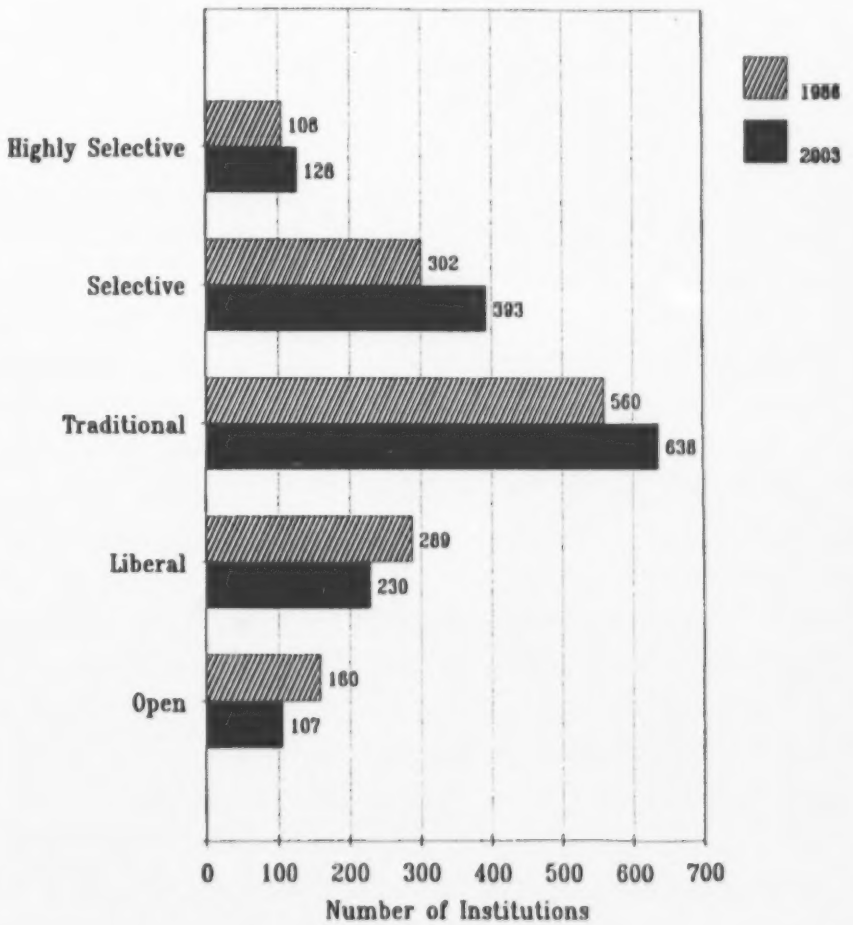
Four-year colleges and universities have grown more academically selective in their freshmen admissions at least since 1986. A growing number of 4-year institutions are enrolling freshmen from the top half or top quarter or even the top 10 percent of their high school graduating classes. At the same time a shrinking number of 4-year institutions are practicing liberal or open admissions--admitting all who apply.

This redistribution of 4-year colleges and universities expands educational opportunity for some groups of students, and narrows it for other students.

- For students who graduate in the top half or quarter or ten percent of their high school graduating classes, a growing share of 4-year colleges and universities are eager to enroll them. Increasingly these institutions are digging deep into their own pockets to discount the tuitions they normally charge students and offer bribes (called merit scholarships) to get them to enroll.
- For students who graduate in the bottom half of their high school class the number of 4-year colleges and universities willing to admit them is shrinking. These students are most often financially needy, but often find their financial aid packages "gapped" and stuffed with relatively unattractive self-help financial aid.

The shifting focus of 4-year colleges and universities to students who are more profitable and easier to teach represents a major retreat from efforts in the 1960s and 70s to reach out to populations not previously well-served by higher education.

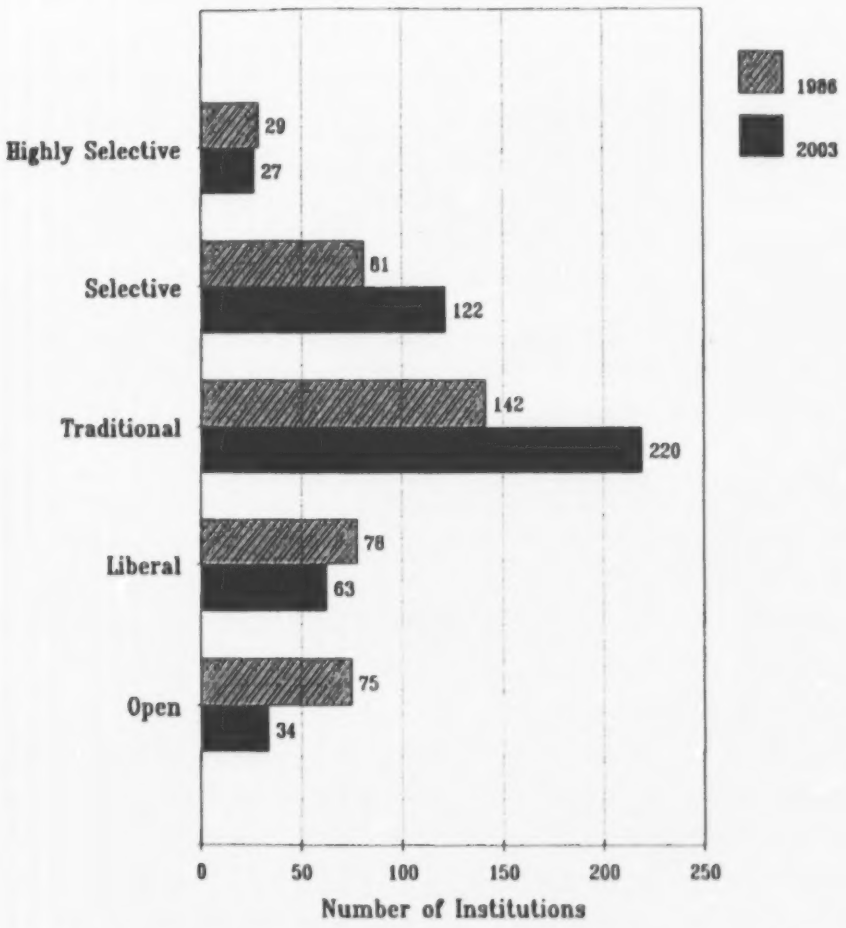
4-Year Colleges and Universities
by Admissions Selectivity
1986 and 2003



But far more important to our nation's future is that this shift moves away from serving the growing share of our country's future workers, parents and citizens who come from low income family backgrounds. 4-year colleges and universities are increasingly competing for the shrinking share of the population, and turning away from the growing share. Expressed another way, 4-year colleges are shifting their focus from the long-term public interest to short-term institutional interests.

This shift in focus from expanding higher education opportunity to redistributing it is accomplishing its intended outcome, as detailed in the previous article in this issue of OPPORTUNITY. But the shift has also had the effect of stopping growth

Public 4-Year Colleges and Universities by Admissions Selectivity 1986 and 2003



in higher education participation rates in the United States. And as other countries have continued to aggressively expand tertiary education participation rates in their populations the United States has fallen far behind those countries in preparing young people for profitable engagement in the Human Capital Economy. During the last year the growing awareness of white-collar job shifts from the United States to other countries has reminded us once again that the best jobs go to college educated workers--wherever they are.

In this analysis we examine data on self-reported admissions selectivity of about 1417 public and private colleges and universities that award bachelor's degrees or higher. These institutions report these data to ACT each year for ACT's National Dropout and Graduation Rate Report. OPPORTUNITY reports the dropout and graduation rate data collected in these reports separately. Here we use a data byproduct from these annual reports to examine patterns and trends in admissions selectivity of 4-year colleges and universities. Our perspective in examining these data is, as always, to study opportunity for postsecondary education, particularly for populations that are under-represented in higher education.

The Data

Each year ACT gathers extensive data on about 2400 American colleges and universities on its *Institutional Data Questionnaire (IDQ)*. Since 1983 ACT has published an annual report on attrition and graduation rates from participating colleges and universities based on data reported on the IDQ. This report is called the *ACT National Dropout and Graduation Rate Report*. Copies of the most recent edition of this report are available from Dr. Wes Habley at ACT at habley@act.org or 319/337-1000.

OPPORTUNITY has compiled the data published by ACT into two large Excel spreadsheets available on the OPPORTUNITY website. These spreadsheets are labeled *ACT National Dropout Rates, 1983 to 2003* and *ACT National Graduation Rates, 1983 to 2003*, both of which are available at:

www.postsecondary.org/pr/pr_03.asp

Our interest here in these data is in the admissions selectivity classification self-reported by participation institutions. Institutions check-off responses to the following question on the IDQ:

Check the category which best describes to prospective students your freshman admissions policy (as applied to in-state or in-supporting-area students).

___ *1. Highly selective (majority of accepted freshmen in top 10 % of high school graduating class)*

___ *2. Selective (majority of accepted freshmen in top 25% of high school graduating class)*

--- *3. Traditional (majority of accepted freshmen in top 50*

% of high school graduating class)

___ *4. Liberal (some freshmen from lower half of high school graduating class)*

___ *5. Open (all high school graduates accepted, to limit of capacity)*

These admissions selectivity responses correspond to the following typical college admissions test score ranges:

	ACT	SAT
Highly sel.	27-31	1220-1380
Selective	22-27	1030-1220
Traditional	20-23	950-1070
Liberal	18-21	870-990
Open	17-20	830-950

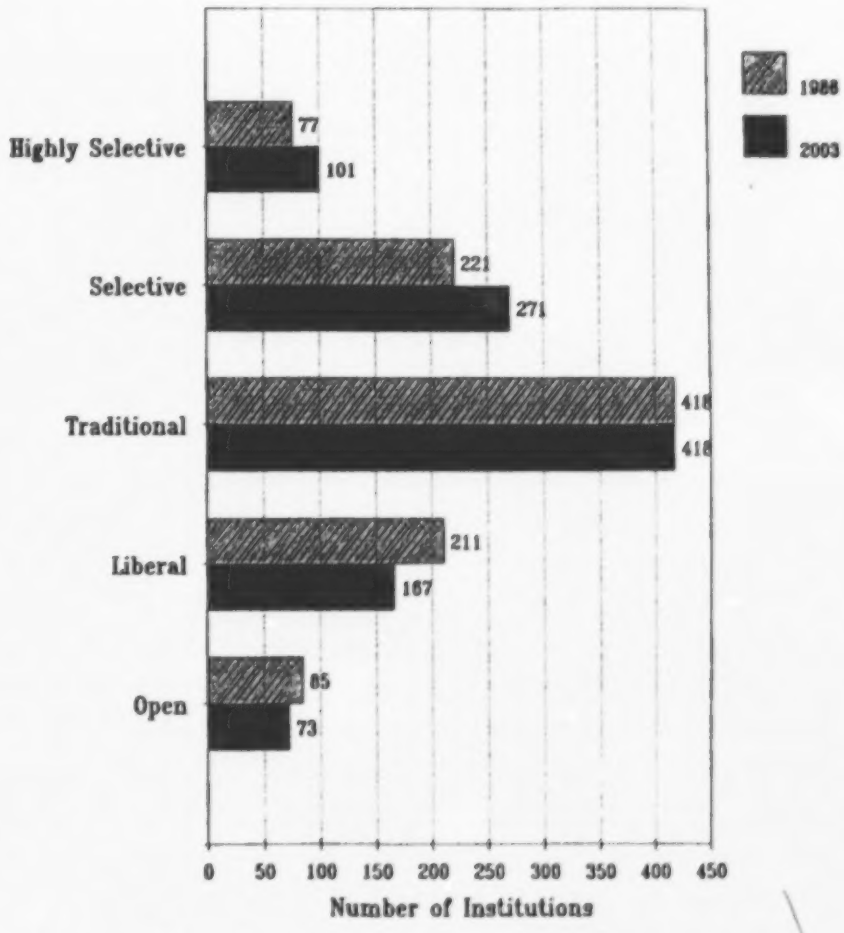
Trends

The chart on page 11 shows the number of 4-year colleges and universities at each level of admissions selectivity in 1986 and 2003. Between these two years the numbers of reporting institutions increased from 1417 to 1496. The numbers show a significant shift: more institutions at the selective end of the admissions scale, and fewer at the least selective end of this scale.

- The number of highly selective admissions institutions increased by 22 institutions, or by 21 percent.
- The number of selective admissions institutions increased by 91 institutions, or by 30 percent.
- The number of traditional admissions institutions increased by 78 institutions, or by 14 percent.
- The number of liberal admissions institutions decreased by 59 institutions, or by 20 percent.
- The number of open admissions institutions decreased by 53 institutions, or by 33 percent.

When these data are disaggregated by institutional control, broadly similar patterns emerge. Note that in the 2003 data set there are 466 public and 1030 private 4-year institutions in the ACT population.

Private 4-Year Colleges and Universities by Admissions Selectivity 1986 and 2003

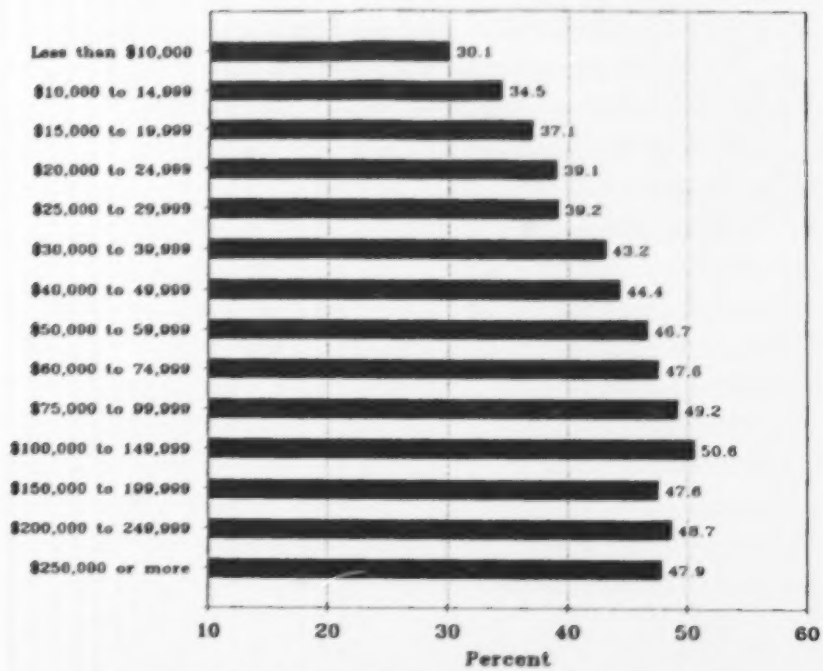


The chart on page 12 shows these data for public 4-year institutions. Between 1986 and 2003 the number of public 4-year institutions increased from 405 to 466. By admissions selectivity:

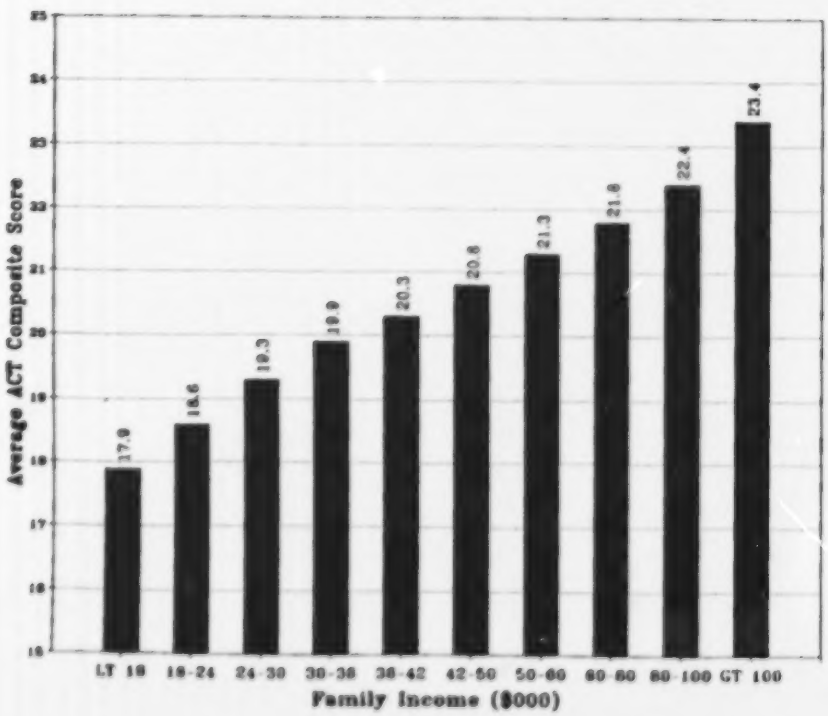
- The number of highly selective public universities decreased by 2 institutions, or by 7 percent.
- The number of selective admissions institutions increased by 41 or by 51 percent.
- The number of traditional admissions institutions increased by 78 or by 55 percent.
- The number of liberal admissions institutions decreased by 15 or by 19 percent.
- The number of open admissions institutions decreased by 41 or by 55 percent.

The chart on this page shows these data for private 4-year institutions. Between 1986 and 2003 the number increased from 1012 to 1030 institutions. Again the basic pattern holds: more admissions selectivity and

4-Year College Freshmen with High School Grade Averages of A- or Better by Parental Income 2002



Average ACT Composite Score by Family Income 2003



less open admissions. Between 1986 and 2003:

- The number of highly selective institutions increased by 24 institutions or 31 percent.
- The number of selective admissions institutions increased by 50 institutions or by 23 percent.
- The number of traditional admissions institutions held constant.
- The number of liberal admissions institutions declined by 44 institutions or by 21 percent.
- The number of open admissions institutions declined by 12 institutions or by 14 percent.

Family Income and Academic Measures in College Admissions

Academic measures used by colleges in selective admissions decisions include high school grades, high school class rank and college admissions test scores like the ACT and SAT. All of these measures are highly correlated with each other. They all tend to measure general mental ability which is favored by colleges in selecting among applicants for admission.

Unfortunately these academic measures are also correlated with family income backgrounds of prospective college students. Students with the best high school grades or college admissions test scores tend to come from the highest family income backgrounds. Students from lower family income backgrounds tend to have lower high school grades and test scores.

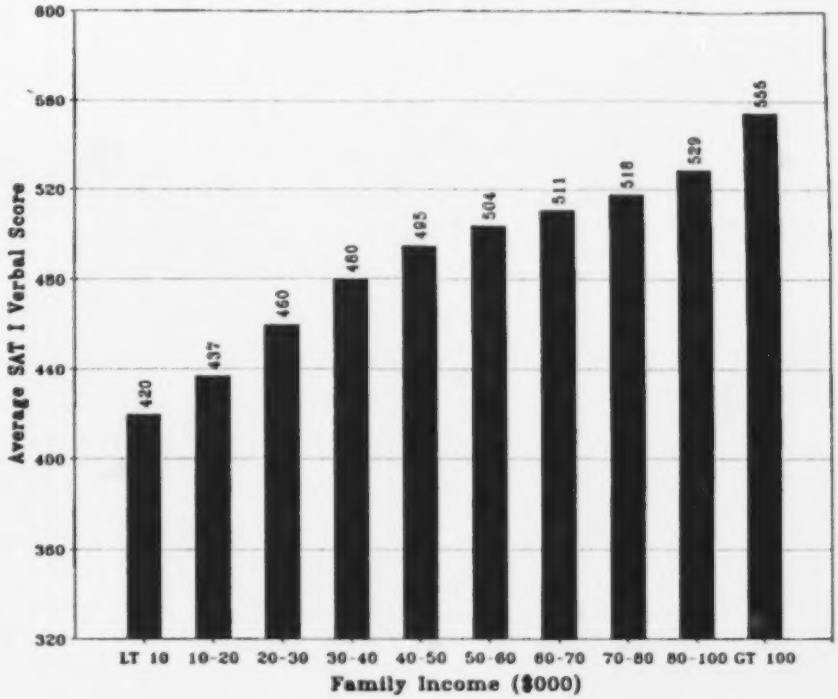
Of course there are many exceptions to these general statements. But their relationship to selective admissions decisions cannot be ignored: As 4-year colleges have grown more selective in their freshmen admissions decisions so too have they come to favor students born into families with

higher incomes, and disfavor students born into families from lower incomes. This is a significant part of the explanation for the redistribution of Pell Grant students shown in the first analysis in this issue of OPPORTUNITY. 4-year colleges and universities have chosen through their admissions policies and practices to prefer to enroll students from higher income families than those born into families with lower incomes.

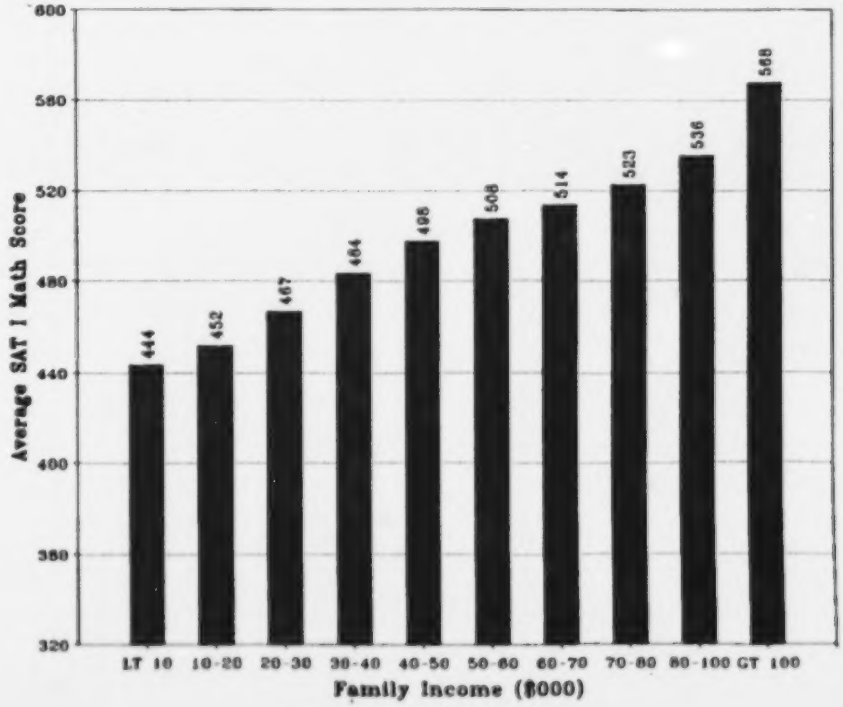
The four charts on these pages show the relationship between family income a high school grades and college admissions test scores. The results are consistent across these measures usually used in college admissions decisions:

- The share of college freshmen with A- or better high school grades increases with parental income, from 30 percent of those from families with incomes below $10,000 (UCLA, 2002 Freshman Survey).
- The average ACT Composite Score increases with family income for college-bound high school seniors, from 17.9 for those from families with incomes below $18,000 to 23.4 for those from families with incomes greater than $100,000 (ACT, 2003).
- The average SAT I Verbal Score increases with family income for college-bound high school seniors, from 420 for those from families with incomes below $10,000 to 555 for those from families with incomes above $100,000 (The College Board, 2003).
- The Average SAT Math Score increases with family income for college-bound high school seniors, from 444 for those from families with incomes below $10,000 to 568 for those from families with incomes greater than $100,000 (The College Board, 2003).

Average SAT I Verbal Score by Family Income 2003



Average SAT I Math Score by Family Income 2003



Conclusions and Considerations

While both public and private 4-year colleges and universities have grown more selective between 1986 and 2003, they have done so in a growing market with increasing numbers of high school graduates to choose among. That will change later in this decade when the second phase of the post-World War II baby bust begins to graduate from high school and enter college and numbers begin to shrink.

A far larger demographic change has been occurring for decades and will continue to work its way through education enrollments: a growing share of children come from families with low incomes. These are the children 4-year colleges have been turning away from serving. In fact 4-year institutions have been turning away the Pell Grant population particularly aggressively since 1998-99. In effect public and private 4-year colleges are increasingly concentrating on the affluent shrinking share of the market population for higher education enrollments, and turning away from the growing share.

The long-term picture has been one of growing minority populations with relatively very low family incomes replacing the majority white population with very high family incomes. The short-term picture is one of a growing share of K-12 enrollments approved for subsidized school lunches during the boom years of the 1990s. Either measure indicates a growing share of lower income students and a declining share of higher income students in higher education's future.

This divergence between the public interest and the interests of 4-year institutions may be at the heart of the gulf between state policy makers and higher education, especially public 4-year higher education. States have been sharply reducing their higher education investment efforts since the late 1970s. In several states with which we are familiar there is bad blood between legislators and public higher education. Legislators say they are put off by the apparent arrogance and indifference of state university officials. (This bad blood never seems to carry over to community colleges which seem to have cultivated stronger political and business support systems than have 4-year institutions.)

Ultimately the growing divergence between changing demographics and growing labor market needs for better trained workers will have consequences. Many are evident today: the rapid growth of proprietary education and the erosion of world leadership in college participation rates. More will appear in the future.

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